

REPORT ON EXAMINATION
OF THE
HEALTHCARE DELAWARE INC.
AS OF
DECEMBER 31, 2006

I, Matthew Denn, Insurance Commissioner of the State of Delaware, do hereby certify that the attached REPORT ON EXAMINATION, made as of DECEMBER 31, 2006 of the

HEALTHCARE DELAWARE, INC.

is a true and correct copy of the document filed with this Department.

ATTEST BY: *Antoinette Handy*

DATE: 11 FEBRUARY 2008



*In Witness Whereof, I HAVE HEREUNTO SET MY HAND
AND AFFIXED THE OFFICIAL SEAL OF THIS
DEPARTMENT AT THE CITY OF DOVER, THIS
11TH DAY OF FEBRUARY 2008.*

Matthew Denn

Insurance Commissioner

REPORT ON EXAMINATION
OF THE
HEALTHCARE DELAWARE, INC.
AS OF
December 31, 2006

The above captioned Report was completed by examiners of the Delaware Insurance Department.

Consideration has duly been given to the comments, conclusions, and recommendations of the examiners regarding the status of the Company as reflected in the Report.

This Report is hereby accepted, adopted, and filed as an official record of this Department.

A handwritten signature in black ink, appearing to read "Matt Denn", is positioned above a horizontal line.

MATTHEW DENN
INSURANCE COMMISSIONER

DATED this 11TH Day of FEBRUARY 2008.

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November 17, 2007

Honorable Matthew Denn
Insurance Commissioner
State of Delaware
Rodney Building
841 Silver Lake Boulevard
Dover, Delaware 19901

Dear Commissioner:

In compliance with instructions contained in Certificate of Authority No.7.040, an examination has been made of the affairs, financial condition and management of the

HEALTHCARE DELAWARE, INC.

hereinafter referred to as "HCD." or "Company", incorporated under the laws of the State of Delaware as a health maintenance organization with an administrative office located at 1901 Market Street, Philadelphia, Pa.

The report of such examination is respectfully submitted herewith.

SCOPE OF EXAMINATION

The last examination was conducted as of December 31, 2003. This examination covers the subsequent three year period to December 31, 2006, and consisted of a general survey of the Company's business policies and practices; management, any corporate matters incident thereto; a verification and evaluation of assets and a determination of liabilities. Transactions subsequent to the latter date were reviewed where deemed necessary.

The format of this report is designed to explain the procedures employed on examination and the text will explain changes wherever made. If necessary, comments and recommendations have been made in those areas in need of correction or improvement. In such cases, these matters were thoroughly discussed with responsible officials during the course of the examination.

The general procedures of the examination followed the rules established by the National Association of Insurance Commissioners' (NAIC) Committee on Financial Condition Examiners Handbook, and generally accepted statutory insurance examination standards.

HISTORY

The Company was incorporated under the laws of the State of Delaware as a for-profit stock health maintenance organization on August 1, 1986 and received its Certificate of Authority on October 25, 1986. The Company was originally owned and operated by St. Francis Health Services. On August 26, 1991, all of HCD's outstanding common stock was sold to Q.C.C., Inc, a wholly-owned subsidiary of Independence Blue Cross, of Philadelphia, Pa. In 1995, the name of Q.C.C. Inc. was changed to AmeriHealth Inc. There were no changes in the Company's ownership structure during the period under examination.

HCD was inactive during the period under examination and is currently not writing any business.

HOLDING COMPANY SYSTEM

HCD is ultimately owned by Independence Blue Cross (IBC), a non-profit health service corporation that is the largest provider of health insurance in the Delaware Valley area consisting of the Southeastern Pennsylvania, Southern New Jersey and Northern Delaware. IBC reported the following at December 31, 2006:

Assets	\$4,148,742,000
Reserves (Surplus)	1,664,059,000
Underwriting Revenue for 2006	\$10,518,715,000
Net Income for 2006	210,860,000

The Company's immediate parent, AmeriHealth, Inc., is a wholly-owned subsidiary of IBC, and the ownership structure did not change during the period under examination.

On March 28, 2007, the Board of Directors of Independence Blue Cross and Highmark, Inc. voted to consolidate the two companies into one organization. This consolidation is currently being reviewed by the appropriate regulatory authorities.

MANAGEMENT AND CONTROL

By an action taken by the sole shareholder, AmeriHealth Inc., on April 20, 2006, the following members were elected to the Board of Directors:

<u>Director</u>	<u>Principal Occupation</u>
Christopher D. Butler	Executive Vice President and Chief Operating Officer-IBC
Joseph A. Frick	President and CEO-IBC
John G. Foos	Chief Financial Officer- IBC

As of December 31, 2006, the officers of HCD were:

<u>Name</u>	<u>Title</u>
Joseph A. Frick	Chairman, President and CEO
John G. Foos	Treasurer & CFO
Paul A. Tufano	Senior Vice President, General Counsel & Secretary

Section 1304 of the Delaware Insurance Code requires that investment transactions be approved by an insurer's Board of Directors. The Board of HCD met only once during the period under examination and did not approve investment transactions.

It is recommended the Company comply with 18 Del. C. § 1304 by having the Board of Directors approve investment transactions.

GROWTH OF COMPANY

The following information was obtained from the Company's filed Annual Statements and covers the five preceding years:

<u>Year</u>	<u>Net Admitted Assets</u>	<u>Policyholder Surplus</u>	<u>Net Premiums Written</u>	<u>Net Income</u>
2006	\$1,805,495	\$1,761,346	\$ 0	\$53,231
2005	1,750,938	1,708,115	0	32,235
2004	1,718,758	1,675,880	0	15,861
2003	1,727,528	1,660,018	0	39,934
2002	1,717,386	1,620,085	0	18,013

The Company ceased renewing business in 1999 and was placed in run-off. At the time of the 2003 examination, HCD reported \$9,255 as the Claims Unpaid Liability. That amount was written off in 2004, and the Company reported no paid or incurred claims during 2005 and 2006. The Company is currently inactive.

TERRITORY AND PLAN OF OPERATIONS

The Company is licensed as a health maintenance organization in the State of Delaware only.

HCD ceased actively marketing products in 1995. Thereafter, the Company had only one renewing group, the New Castle County Chamber of Commerce.

In 1999, management of IBC decided to move the coverage of the Company's remaining membership to an affiliate, AmeriHealth HMO. As of June 30, 1999, the Company had no member lives insured.

IBC management indicated to the examination that there were no plans to activate HCD.

FINANCIAL STATEMENTS

The Company's financial position on December 31, 2006 and the results of operations for 2006 are presented in the following statements:

ASSETS

	<u>Assets</u>	Nonadmitted <u>Assets</u>	Net Admitted <u>Assets</u>
Cash and short-term investments	\$1,803,835		\$1,803,835
Investment income due and accrued	421		421
Receivable from parent, subs. & affiliates	<u>1,239</u>		<u>1,239</u>
TOTALS	<u>\$1,805,495</u>		<u>\$1,805,495</u>

LIABILITES, SURPLUS AND OTHER FUNDS

General expenses due or accrued	\$39,474
Amounts due to parent, subs. and affiliates	1,675
Current federal taxes payable	3,000
 Total Liabilities	 <u>\$44,149</u>
 Common capital stock	 \$300,000
Gross paid in and contributed surplus	10,500,000
Unassigned funds (surplus)	<u>(9,038,654)</u>
 Capital and Surplus	 <u>\$1,761,346</u>
 TOTAL	 <u>\$1,805,495</u>

SUMMARY OF OPERATIONS

Net premium income	0
Net investment gain	<u>\$88,298</u>
Total	\$88,298
 Hospital and medical benefits	 0
General insurance expenses	<u>(\$6,067)</u>
 Total benefits and expenses	 \$ (6,067)
 Net income before taxes	 \$82,231
Federal income taxes incurred	<u>29,000</u>
 NET INCOME	 <u>\$53,231</u>

CAPITAL AND SURPLUS ACCOUNT

Capital and Surplus, December 31, 2005	\$1,708,115
Net Income	\$53,231
Change in Capital and Surplus for the year	<u>\$53,231</u>
Capital and Surplus, December 31, 2006	<u>\$1,761,346</u>

SCHEDULE OF EXAMINATION ADJUSTMENTS

The examination will propose no financial adjustments.

STATUS OF PREVIOUS EXAMINATION RECOMMENDATIONS

The previous examination conducted as of December 31, 2003 made two recommendations.

- It is recommended the Company hold annual meetings of stockholders as required by the Bylaws.
- It is recommended that all important decisions affecting the Company be discussed and approved by the Board of Directors.

The current examination noted compliance with the first recommendation. As per the second recommendation, the approval of investment transactions, as required by the Delaware Insurance Code, is still not being performed by the Board of Directors. The recommendation is repeated below.

RECOMMENDATIONS

The Company's attention is directed to the following:

It is recommended the Company comply with 18 Del. C. § 1304 by having the Board of Directors approve investment transactions. (See Management and Control, Page 4)

SUMMARY COMMENTS

The following items of significance were noted during the examination:

- The Company's ultimate parent is Independence Blue Cross (IBC) of Philadelphia, Pa.
- On March 28, 2007, the Board of Directors of Independence Blue Cross and Highmark, Inc. voted to consolidate the two companies into one organization. This consolidation is currently being reviewed by the appropriate regulatory authorities.
- HCD ceased actively marketing products in 1995. As of June 30, 1999, the Company had no member lives insured. The Company was inactive during the period under examination.
- IBC management indicated to the examination that there were no plans to activate HCD.

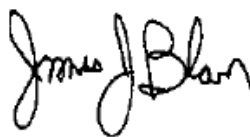
CONCLUSION

The following schedule shows the results of this examination and the results of the prior examination with changes between the examination periods:

<u>Description</u>	<u>Current Examination</u>	<u>12/31/2003 Examination</u>	<u>Changes Increases (Decreases)</u>
Assets	<u>\$1,805,495</u>	<u>\$1,727,528</u>	<u>\$77,967</u>
Liabilities	\$ 44,149	\$ 67,510	\$ (23,361)
Capital and Surplus	<u>\$ 1,761,346</u>	<u>\$1,660,018</u>	<u>\$ 101,328</u>
Totals	<u>\$1,805,495</u>	<u>\$1,727,528</u>	<u>\$ 77,967</u>

The examination was conducted by the undersigned.

Respectfully submitted,



James J. Blair Jr., CPA, CFE
Examination Supervisor
Insurance Department
State of Delaware